

# Subpart 27.2 - Patents and Copyrights

**Parent topic:** [Part 27 - Patents, Data, and Copyrights](#)

## 27.200 Scope of subpart.

This subpart prescribes policies and procedures with respect to-

- (a) Patent and copyright infringement liability;
- (b) Royalties;
- (c) Security requirements for patent applications containing classified subject matter; and
- (d) Patented technology under trade agreements.

## 27.201 Patent and copyright infringement liability.

### 27.201-1 General.

(a) Pursuant to [28 U.S.C. 1498](#), the exclusive remedy for patent or copyright infringement by or on behalf of the Government is a suit for monetary damages against the Government in the Court of Federal *Claims*. There is no injunctive relief available, and there is no direct cause of action against a contractor that is infringing a patent or copyright with the authorization or consent of the Government (*e.g.*, while performing a contract).

(b) The Government *may* expressly authorize and consent to a contractor's use or manufacture of inventions covered by U.S. patents by inserting the clause at [52.227-1](#), Authorization and Consent.

(c) Because of the exclusive remedies granted in [28 U.S.C. 1498](#), the Government requires notice and assistance from its contractors regarding any *claims* for patent or copyright infringement by inserting the clause at [52.227-2](#), Notice and Assistance, Regarding Patent and Copyright Infringement.

(d) The Government *may* require a contractor to reimburse it for liability for patent infringement arising out of a contract for *commercial products* or *commercial services* by inserting the clause at [52.227-3](#), Patent Indemnity.

### 27.201-2 Contract clauses.

(a)

(1) Insert the clause at [52.227-1](#), Authorization and Consent, in *solicitations* and contracts except that use of the clause is-

- (i) Optional when using *simplified acquisition procedures*; and

(ii) Prohibited when both complete performance and delivery are outside the *United States*.

(2) Use the clause with its *Alternate I* in all R&D *solicitations* and contracts for which the primary purpose is R&D work, except that this *alternate shall* not be used in *construction* and architect-engineer contracts unless the contract calls exclusively for R&D work.

(3) Use the clause with its *Alternate II* in *solicitations* and contracts for communication services with a common carrier and the services are unregulated and not priced by a tariff schedule set by a regulatory body.

(b) Insert the clause at [52.227-2](#), Notice and Assistance Regarding Patent and Copyright Infringement, in all *solicitations* and contracts that include the clause at [52.227-1](#), Authorization and Consent.

(c)

(1) Insert the clause at [52.227-3](#), Patent Indemnity, in *solicitations* and contracts that *may* result in the delivery of *commercial products* or the provision of *commercial services* unless-

(i) [part 12](#) procedures are used;

(ii) The *simplified acquisition procedures* of [part 13](#) are used;

(iii) Both complete performance and delivery are outside the *United States*; or

(iv) The *contracting officer* determines after consultation with legal counsel that omission of the clause would be consistent with commercial practice.

(2) Use the clause with either its *Alternate I* (identification of excluded items) or II (identification of included items) if-

(i) The contract also requires delivery of items that are not *commercial products* or the provision of services that are not *commercial services*; or

(ii) The *contracting officer* determines after consultation with legal counsel that limitation of applicability of the clause would be consistent with commercial practice.

(3) Use the clause with its *Alternate III* if the *solicitation* or contract is for communication services and facilities where performance is by a common carrier, and the services are unregulated and are not priced by a tariff schedule set by a regulatory body.

(d)

(1) Insert the clause at [52.227-4](#), Patent Indemnity-Construction Contracts, in *solicitations* and contracts for *construction* or that are fixed-price for dismantling, demolition, or removal of improvements. Do not insert the clause in contracts solely for *architect-engineer services*.

(2) If the *contracting officer* determines that the *construction* will necessarily involve the use of structures, *products*, materials, equipment, processes, or methods that are nonstandard, noncommercial, or special, the *contracting officer may* expressly exclude them from the patent indemnification by using the clause with its *Alternate I*. Note that this exclusion is for items, as

distinguished from identified patents (see paragraph (e) of this subsection).

(e) It *may* be in the Government's interest to exempt specific U.S. patents from the patent indemnity clause. Exclusion from indemnity of identified patents, as distinguished from items, is the prerogative of the *agency head*. Upon written approval of the *agency head*, the *contracting officer* *may* insert the clause at 52.227-5, Waiver of Indemnity, in *solicitations* and contracts in addition to the appropriate patent indemnity clause.

(f) If a patent indemnity clause is not prescribed, the *contracting officer* *may* include one in the *solicitation* and contract if it is in the Government's interest to do so.

(g) The *contracting officer* *shall* not include in any *solicitation* or contract any clause whereby the Government agrees to indemnify a contractor for patent infringement.

## **27.202 Royalties.**

### **27.202-1 Reporting of royalties.**

(a) To determine whether royalties anticipated or actually paid under Government contracts are excessive, improper, or inconsistent with Government patent rights the *solicitation* provision at 52.227-6 requires prospective contractors to furnish royalty information. The *contracting officer* *shall* take appropriate action to reduce or eliminate excessive or improper royalties.

(b) If the response to a *solicitation* includes a charge for royalties, the *contracting officer* *shall*, before award of the contract, forward the information to the office having cognizance of patent matters for the *contracting activity*. The cognizant office *shall* promptly advise the *contracting officer* of appropriate action.

(c) The *contracting officer*, when considering the approval of a subcontract, *shall* require royalty information if it is required under the prime contract. The *contracting officer* *shall* forward the information to the office having cognizance of patent matters. However, the *contracting officer* need not delay consent while awaiting advice from the cognizant office.

(d) The *contracting officer* *shall* forward any royalty reports to the office having cognizance of patent matters for the *contracting activity*.

### **27.202-2 Notice of Government as a licensee.**

(a) When the Government is obligated to pay a royalty on a patent because of an existing license agreement and the *contracting officer* believes that the licensed patent will be applicable to a prospective contract, the Government *should* furnish the prospective *offerors* with-

(1) Notice of the license;

(2) The number of the patent; and

(3) The royalty rate cited in the license.

(b) When the Government is obligated to pay such a royalty, the *solicitation* *should* also require

*offerors* to furnish information indicating whether or not each *offeror* is the patent owner or a licensee under the patent. This information is necessary so that the Government *may* either-

(1) Evaluate an *offeror's* price by adding an amount equal to the royalty; or

(2) Negotiate a price reduction with an *offeror* when the *offeror* is licensed under the same patent at a lower royalty rate.

### **27.202-3 Adjustment of royalties.**

(a) If at any time the *contracting officer* believes that any royalties paid, or to be paid, under a contract or subcontract are inconsistent with Government rights, excessive, or otherwise improper, the *contracting officer shall* promptly report the facts to the office having cognizance of patent matters for the *contracting activity* concerned.

(b) In coordination with the cognizant office, the *contracting officer shall* promptly act to protect the Government against payment of royalties-

(1) With respect to which the Government has a royalty-free license;

(2) At a rate in excess of the rate at which the Government is licensed; or

(3) When the royalties in whole or in part otherwise constitute an improper charge.

(c) In appropriate cases, the *contracting officer* in coordination with the cognizant office *shall* demand a refund pursuant to any refund of royalties clause in the contract (see [27.202-4](#)) or negotiate for a reduction of royalties.

(d) For guidance in evaluating information furnished pursuant to [27.202-1](#), see [31.205-37](#). See also [31.109](#) regarding advance understandings on particular cost items, including royalties.

### **27.202-4 Refund of royalties.**

The clause at [52.227-9](#), Refund of Royalties, establishes procedures to pay the contractor royalties under the contract and recover royalties not paid by the contractor when the royalties were included in the contractor's fixed price.

### **27.202-5 Solicitation provisions and contract clause.**

(a)

(1) Insert a *solicitation* provision substantially the same as the provision at [52.227-6](#), Royalty Information, in-

(i) Any *solicitation* that *may* result in a negotiated contract for which royalty information is desired and for which *certified cost or pricing data* are obtained under [15.403](#); or

(ii) Sealed bid *solicitations* only if the need for such information is approved at a level

above the *contracting officer* as being necessary for proper protection of the Government's interests.

(2) If the *solicitation* is for communication services and facilities by a common carrier, use the provision with its *Alternate I*.

(b) If the Government is obligated to pay a royalty on a patent involved in the prospective contract, insert in the *solicitation* a provision substantially the same as the provision at [52.227-7](#), Patents-Notice of Government Licensee. If the clause at [52.227-6](#) is not included in the *solicitation*, the *contracting officer* may require *offerors* to provide information sufficient to provide this notice to the other *offerors*.

(c) Insert the clause at [52.227-9](#), Refund of Royalties, in negotiated fixed-price *solicitations* and contracts when royalties may be paid under the contract. If a fixed-price incentive contract is contemplated, change "price" to "target cost and target profit" wherever it appears in the clause. The clause may be used in cost-reimbursement contracts where agency approval of royalties is necessary to protect the Government's interests.

## **27.203 Security requirements for patent applications containing classified subject matter.**

### **27.203-1 General.**

(a) Unauthorized disclosure of classified subject matter, whether in patent applications or resulting from the issuance of a patent, may be a violation of [18 U.S.C. 792](#), *et seq.* (Chapter 37- Espionage and Censorship), and related statutes, and may be contrary to the interests of national security.

(b) Upon receipt of a patent application under paragraph (a) or (b) of the clause at [52.227-10](#), Filing of Patent Applications-Classified Subject Matter, the *contracting officer* shall ascertain the proper security classification of the patent application. If the application contains classified subject matter, the *contracting officer* shall inform the contractor how to transmit the application to the United States Patent Office in accordance with procedures provided by legal counsel. If the material is classified "Secret" or higher, the *contracting officer* shall make every effort to notify the contractor within 30 days of the Government's determination, pursuant to paragraph (a) of the clause.

(c) Upon receipt of information furnished by the contractor under paragraph (d) of the clause at [52.227-10](#), the *contracting officer* shall promptly submit that information to legal counsel in order that the steps necessary to ensure the security of the application will be taken.

(d) The *contracting officer* shall act promptly on requests for approval of foreign filing under paragraph (c) of the clause at [52.227-10](#) in order to avoid the loss of valuable patent rights of the Government or the contractor.

### **27.203-2 Contract clause.**

Insert the clause at [52.227-10](#), Filing of Patent Applications-Classified Subject Matter, in all classified *solicitations* and contracts and in all *solicitations* and contracts where the nature of the

work reasonably might result in a patent application containing classified subject matter.

## **27.204 Patented technology under trade agreements.**

### **27.204-1 Use of patented technology under the North American Free Trade Agreement.**

(a) The requirements of this section apply to the use of technology covered by a valid patent when the patent holder is from a country that is a party to the North American Free Trade Agreement (NAFTA).

(b) Article 1709(10) of NAFTA generally requires a user of technology covered by a valid patent to make a reasonable effort to obtain authorization prior to use of the patented technology. However, NAFTA provides that this requirement for authorization *may* be waived in situations of national *emergency* or other circumstances of extreme urgency, or for public noncommercial use.

(c) Section 6 of Executive Order 12889, "Implementation of the North American Free Trade Act," of December 27, 1993, waives the requirement to obtain advance authorization for an invention used or manufactured by or for the Federal Government. However, the patent owner *shall* be notified in advance whenever the agency or its contractor knows or has reasonable grounds to know, without making a patent search, that an invention described in and covered by a valid U.S. patent is or will be used or manufactured without a license. In cases of national *emergency* or other circumstances of extreme urgency, this notification need not be made in advance, but *shall* be made as soon as reasonably practicable.

(d) The *contracting officer*, in consultation with the office having cognizance of patent matters, *shall* ensure compliance with the notice requirements of NAFTA Article 1709(10) and Executive Order 12889. A contract award *should* not be suspended pending notification to the patent owner.

(e) Section 6(c) of Executive Order 12889 provides that the notice to the patent owner does not constitute an admission of infringement of a valid privately-owned patent.

(f) When addressing issues regarding compensation for the use of patented technology, Government personnel *should* be advised that NAFTA uses the term "adequate remuneration." Executive Order 12889 equates "remuneration" to "reasonable and entire compensation" as used in [28 U.S.C. 1498](#), the statute that gives jurisdiction to the U.S. Court of Federal *Claims* to hear patent and copyright cases involving infringement by the Government.

(g) When questions arise regarding the notice requirements or other matters relating to this section, the *contracting officer* *should* consult with legal counsel.

### **27.204-2 Use of patented technology under the General Agreement on Tariffs and Trade (GATT).**

Article 31 of Annex 1 C, Agreement on Trade-Related Aspects of Intellectual Property Rights, to GATT (Uruguay Round) addresses situations where the law of a member country allows for use of a patent without authorization, including use by the Government.